

## Senate Finance and Claims Committee

In Support of Federal Stimulus Dollars to  
Fund a **Montana Energy Conservation Tax Credit**

Montana currently has a tax credit for up to \$500 equal to 25% of an investment to make a home or business more energy efficient.

Currently there are three bills that would raise this tax credit, encouraging Montanans to make energy conserving building improvements.

SB 37 was requested by the EQC and would raise the tax credit from \$500 to \$800. It is a consensus bill that was rated as the #1 tax credit priority and passed unanimously out of Senate Tax Committee last session. The fiscal note is about \$4.5 million.

SB 301 would raise the tax credit to 50% of the investment up to \$1,250. The fiscal note is from approximately \$10 to \$17 million for the next three years.

HB 540 would raise the maximum credit to \$1,000 per taxpayer with a fiscal note of roughly \$3 to \$4.5 million.

Offering tax credits for energy efficiency is one thing we can do to lower Montanan's energy bills. It will put contractors back to work. It has bipartisan support.

Our recommendation is for this committee to work with Senate Tax Committee to temporarily increase the tax credit, add a sunset provision so it would revert to the current \$500 level in two years. We suggest the two committees agree on a fiscal note, the tax committee will craft a bill to match, then invest stimulus money in the tax credit.

Shifting money from energy costs to conservation investments, puts dollars in the local economy while putting Montanans to work.

This is as shovel ready as it gets.

NCAT applied an Oregon study of energy conservation tax credits to SB 37 and found that for fiscal year 2009:

For a \$4.5 million tax credit, Montanans would spend almost \$25 million, increasing the output in the Montana economy by \$13 million. 37 new jobs would be created, Montana wages would increase by \$1.2 million and tax revenues for local and state governments would increase \$1.1 million.

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Members of the Senate Taxation Committee:

Re: Economic Impacts of Senate Bill 37

My name is Dale Horton (406/494-8653, daleh@ncat) and I am the Sustainable Energy Program Manager for the National Center for Appropriate Technology (NCAT), a non-profit organization based in Butte.

The investments in energy conservation that will result from Senate Bill 37 will have a positive economic impact on the Montana economy. Shifting residential expenditures from energy costs to conservation investments puts dollars into the local economy while putting Montanan's to work.

The state of Montana has conducted no economic impact assessment of residential and business energy conservation tax credits but the Oregon Department of Energy performs an annual assessment of the economic impacts of a similar tax credit program in that state. The most recent Oregon assessment was released February 2, 2009. The Oregon analysis represents the best information available about the economic impacts of energy conservation tax credits.

In 2007 Oregon residents received \$12,474,469 in conservation tax credits. The fiscal note on Senate Bill 37 estimates that income tax credits, that will be taken in 2009 as a result of Senate Bill 37 to be \$4,439,881. A rough approximation of the economic impact of residential energy conservation tax credits as a result of Senate Bill 37, if results are similar to those in Oregon, can be derived by applying the economic impact of the Oregon assessment based on a per dollar of tax credit.

Following are the results of this calculation for 2009:

- Projected Montana tax credit amount as a result of Senate Bill 37 will be \$4,439,881
- The tax credit incremental measure spending by taxpayers will be \$24,737,330
- The output of the Montana economy will increase by \$13,053,910
- 37 New jobs will be created
- Montana wages will increase by \$1,227,410
- Tax revenues for state and local governments will increase by \$1,103,610

Following are the results of this calculation for 2009-2012, the four-year period of the fiscal note:

- Projected Montana tax credit amount as a result of Senate Bill 37 will be \$18,442,390
- The tax credit incremental measure spending by taxpayers will be \$102,753,991
- The output of the Montana Economy will increase by \$54,223,368
- Tax revenues for state and local governments will increase by \$4,584,177

The most recent Oregon conservation tax credit study (Economic Impacts of Oregon Energy Tax Credit Programs in 2007 and 2008 Final Report, February 2, 2009;

<http://oregon.gov/ENERGY/CONS/BUS/BETC.shtml> ) assesses economic impact for both residential and business tax credits from January 2007 through October 2008. Because the assessment reports residential and business tax credit impacts separately the values above are based only on information about the residential tax credit.

The Oregon residential conservation tax credits apply to appliances, space heating and cooling systems, water heaters, and hybrid and alternative fuel vehicles and include renewable energy measures such as solar, wind, fuel cell, and geothermal systems. Montana's residential conservation tax credits apply only to building envelope improvements, space heating and cooling systems, water heaters, and lighting. Refrigeration would be eligible for the tax credits under Senate Bill 37 only for rental housing.

The Oregon residential conservation tax credit is generally limited to 25% of the taxpayer's expenditure. In the past the Oregon residential conservation tax credit has been limited to \$1,000 but currently the maximum amount of the tax credit varies by the type of equipment that is installed. The current Montana residential conservation tax credit is limited to 25% of the expenditure not to exceed \$500. Senate Bill 37 would raise that limit to \$800.

Comparing the state and local tax structures of Oregon and Washington is beyond the scope of this quick analysis but it is worth noting that neither Oregon nor Montana have a general sales tax. Montana is more reliant on property taxes for total state tax revenue than Oregon. Oregon is more reliant on income taxes for total state tax revenue than Montana.

The Oregon experience indicates that energy conservation tax credits are good business for Montana. I urge you to support Senate Bill 37.